

Financial Accounting - Terms To Know For Exams

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Exam #1:

Sole proprietorship
Partnership
Corporation

Assets
Liabilities
Shareholder's equity
Revenues
Expenses

Income statement
Retained earnings statement
Balance sheet
Statement of Cash Flows

Operating activities
Investing activities
Financing activities

Annual report
Management discussion and analysis

Monetary unit assumption
Separate (economic) entity assumption
Time period assumption
Going concern assumption
Cost principle or Historical cost principle
Full disclosure principle
Materiality
Conservatism
Cost-benefit analysis
Industry practice

FASB
GAAP
SEC

Liquidity
Solvency
Profitability

Internal users
External users

NOTE: Terms and concepts presented in earlier chapters could, and probably will be, tested and/or used again in future chapters. Therefore, it is vital that you retain the knowledge acquired in all prior chapters!

Exam #2:

Revenue recognition
Matching
Monetary unit assumption
Separate (economic) entity assumption
Time period assumption
Going concern assumption
Cost principle or Historical cost principle
Full disclosure principle
Materiality
Conservatism
Cost-benefit analysis
Industry practice

Unearned revenue
Prepaid expense
Accrued revenue
Accrued expense

Relevance
Reliability
Consistency
Comparability

Exam #3:

Goods in transit
FOB shipping point
FOB destination

Freight-in
Freight-out

Periodic inventory system
Perpetual inventory system

FIFO method
LIFO method
Average cost method
Specific inventory method
Lower of cost or market basis
LIFO reserve

Contra account
Sales discount
Purchase discount

Multiple-step
Single-step
Gross margin – Gross profit

Service business
Merchandising business
Manufacturing business

Exam #4:

Allowance method
Direct write-off method
Bad debts
Aging the accounts receivable aka Percentage of receivable basis
Net (cash) realizable value
Accounts receivable, net
Restricted cash

Treasurer
Controller
Internal auditors

Internal controls
Segregation of duties
Collusion

ANY NEW TERMS TO KNOW FOR FUTURE EXAMS WILL NOT BE LISTED IN THIS HANDOUT. YOU ARE EXPECTED TO BE ABLE TO DETERMINE WHICH NEW TERMS ARE IMPORTANT.